DEPARTMENT OF FINANCE CALIFORNIA

CALIFORNIA
Economic Indicators

July August 2005

Better Job Growth

California's labor markets have strengthened in 2005

INSIDE

REVIEW OF RECENT ECONOMIC DEVELOPMENTS

2005 is shaping up to be a year of solid economic gains for California. Less-than-stellar job growth in 2004 turned into solid, sustained expansion in 2005. Real estate markets are still robust, with few, if any, signs of a much-discussed real estate market collapse. Slower export growth is the only area of unmet expectations.

Employment

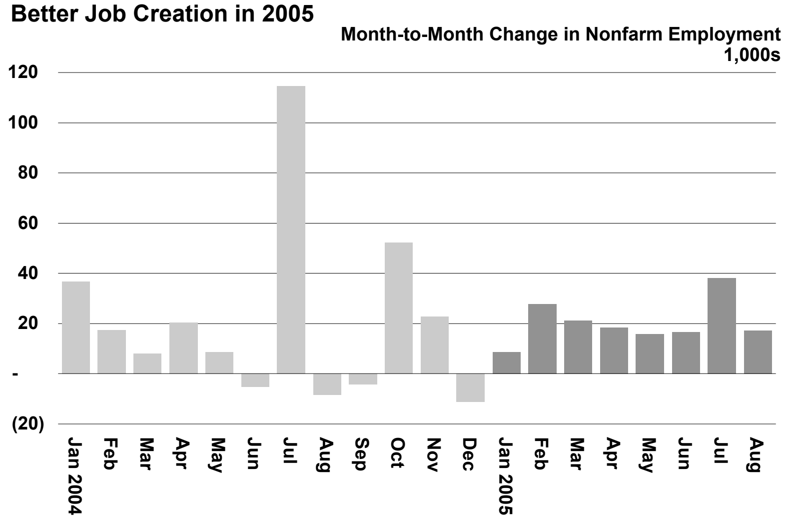
California's labor markets have improved considerably from 2004. The state gained jobs during each of the first eight months of 2005, averaging 20,400 per month. Even though the average monthly gain in 2004 was higher, this should be considered an improvement due to a questionably large gain in July 2004—nearly 115,000—that was probably due to a bad seasonal adjustment factor. Not counting July, last year's monthly gain was only 12,500. Average year-over-year nonfarm payroll growth during the first eight months of 2005 was 1.6 percent versus 0.7 percent during the same months of 2004.

From August 2004 to August 2005, nonfarm payroll employment grew by 223,300, or 1.5 percent. Employment rose in nine out of 11 major industry sectors: 60,900 in Construction; 40,700 in Professional and Business Services; 40,400 in Leisure and Hospitality; 22,300 in Trade, Transportation and Utilities; 22,000 in Educational and Health Services; 14,300 in Financial Activities; 12,100 in Government; 5,600 in Information; and 5,600 in Other Services. Employment fell by 500 in Manufacturing and 100 in Natural Resources and Mining.

California's job gains have been heavily dependent on building activity in recent years. Construction employment's share of total employment increased from 5.2 percent at the beginning of 2001 to 6.2 percent in August 2005. More importantly, it accounted for nearly 28 percent of new nonfarm jobs created during the first eight months of 2005.

FIGURE 1

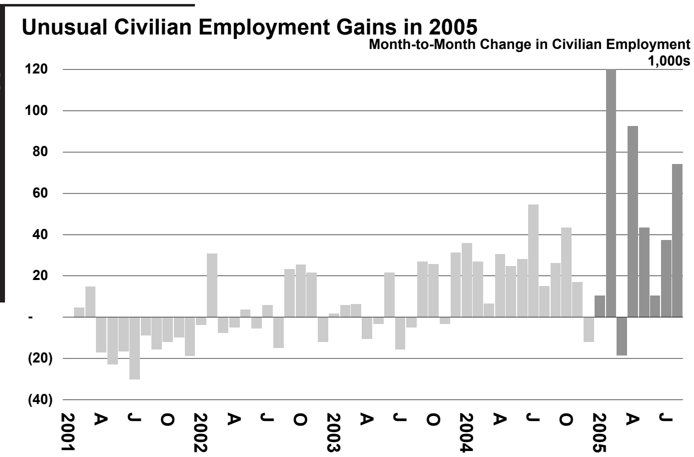
Better Job Creation in 2005



Erratic unemployment gains

Amid substantial volatility, the state's unemployment rate improved steadily during the first eight months of 2005. The unemployment rate was 5.2 percent in August, down from 6.0 percent in December 2004. However, the labor force statistics have been more erratic since the Bureau of Labor Statistic adopted a new local area methodology in February of this year. Both employment and unemployment estimates experienced several dramatic fluctuations. Civilian employment jumped by 127,400 in February, 92,500 in April, and 74,100 in August. From 2001 through 2004, monthly employment gains averaged 6,600, and the largest one-month gain was only 54,500. Unemployment fell 67,100 in March and 48,200 in July of 2005. Again, this volatility is out of proportion to past experience. On average, from 2001 through 2004, unemployment fell by 5,100 each month. The largest one-month drop was 21,400.

FIGURE 2



The Los Angeles area unemployment rate estimates probably overstate the improvement in that area. The official statistics show the unemployment rate dropping sharply to 5.0 percent in August from 5.7 percent in July. This improvement is based principally on a nearly 13-percent decline in civilian unemployment. Unemployment is falling in the Los Angeles area, but not likely at that pace.

BUILDING ACTIVITY

Sustained home building

Even though home building slowed in August, this year is still on track to match the vigorous pace achieved in 2004. Residential building permits were issued at a seasonally adjusted, annual rate of 212,000 units during the first eight months of 2005. This is slightly better than the 210,000-unit pace set during the same months of 2004. Single-family construction picked up enough over last year to more than compensate for a slight slowing in the multi-family sector.

Nonresidential slower but still healthy

Nonresidential construction also slowed in August after a very strong July. The value of nonresidential permits issued dropped over 9 percent to a still-commendable $16.6 billion annual rate. All building categories slowed, but the steepest declines were in the Industrial and Store sectors. For the first eight months of 2005 as a whole, nonresidential construction was up over 12 percent above the same months of 2004.

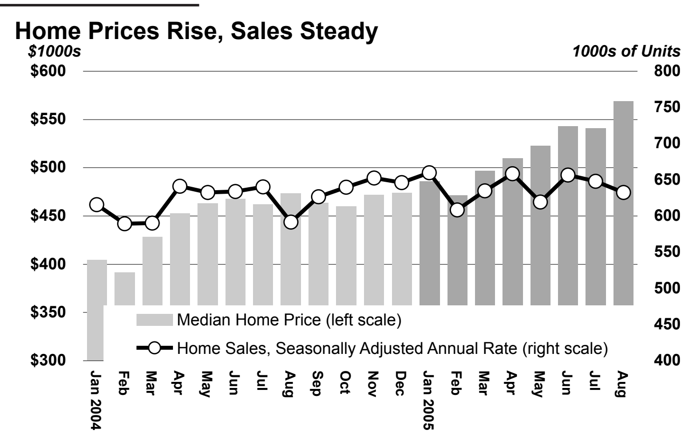
REAL ESTATE

Home prices continue to rise

California home prices continued to rise despite somewhat softer sales. The median price of existing single-family homes sold in August climbed to $568,890, a 20-percent increase from a year earlier. Home sales, in contrast, slowed to an annual pace of 632,240 units, according to the California Association of Realtors. With the exception of February, the annualized rate of home sales during the first eight months of 2005 stayed within the 620,000 to 660,000 unit range.

Home prices may have received a boost from the anticipation of rising mortgage rates. Long-term fixed mortgage rates remain at levels comparable to a year ago, showing little response to Federal Reserve tightening. Adjustable-rate mortgages, in contrast, have risen nearly one-half percentage point. Both mortgage rates drifted higher in July and August, which may have been taken as a signal of higher rates to come.

FIGURE 3



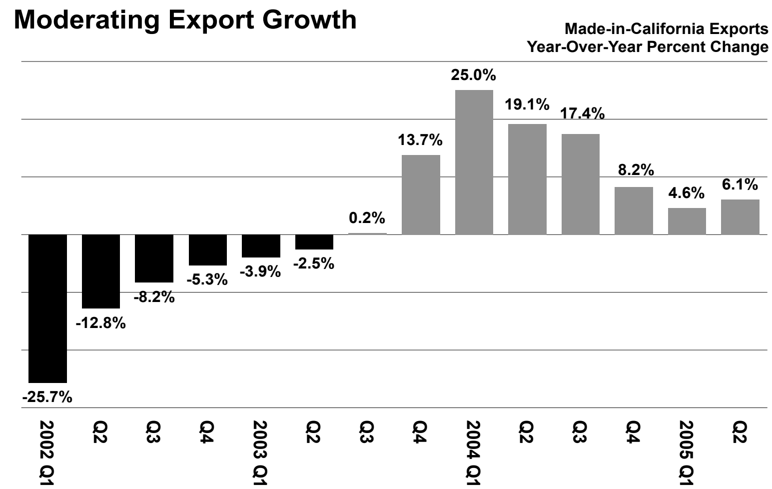
Source: California Association of Realtors

CALIFORNIA FOREIGN TRADE

California is the nation's second leading exporting state and home to the nation's busiest international ports. Merchandise exports account for as much as 10 percent of the state's total economic output.

California's merchandise exports are dominated by high technology electronics. Computer and electronic product exports typically account for about 40% of the state's exports. This is followed by transportation equipment (principally aerospace) and nonelectrical machinery. These three sectors are the principal drivers of California exports.

FIGURE 4



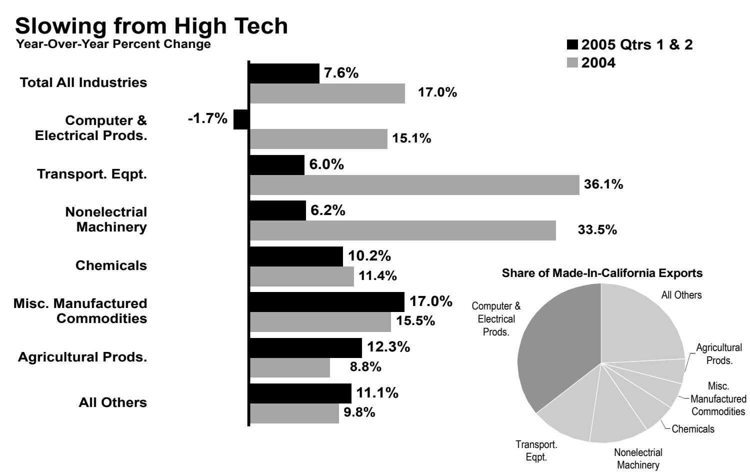
Resurgent investment spending in 2004, both domestic and abroad, led to a swelling demand for computers and electronics, resulting in explosive export growth. Made-in-California exports surged 25 percent in the first quarter of 2004 compared to the same quarter of 2003. Even though the pace of growth steadily slowed throughout the year, exports for 2004 as a whole were up 17 percent from 2003.

The first half of 2005, however, turned in a more modest performance. Made-in-California exports grew by only 4.6 percent in the first quarter of 2005 compared to the same period of 2004. This was followed by 6.1-percent growth in the second quarter. Thus exports from California during the first half of 2005 grew 5.3 percent over the first half of 2004—less than a third of 2004's pace.

EXPORT SLOWDOWN FROM HIGH TECHNOLOGY

The deceleration of export growth was largely the result of a reduction in computer and electronics exports and a dramatic slowdown in the growth of transportation and non-electrical machinery exports. Consumer and electronics exports actually declined 1.7 percent during the first half of 2005 compared to the same period of 2004. This followed healthy 15-plus percent growth in 2004. The growth of transportation and machinery exports, which outpaced computer and electronics growth in 2004, slowed dramatically in the first half of 2005. Transportation exports expanded only 6.0 percent during the first two quarter of 2005 versus over 36 percent in 2004. Nonelectrical machinery exports grew 6.2 percent in the first half of 2005, far slower than the 33.5 percent gain in 2004.

FIGURE 5



On the plus side, there was broad-based growth elsewhere. Exports accelerated across a broad range of products, including farm products and manufactured commodities which account for over 21 percent of total exports.

MIXED RESULTS IN LEADING MARKETS

The first half of 2005 saw very uneven performance among California's leading trading partners. The top five destinations of made-in-California exports received nearly half of the state's exports. Combined, exports to these destinations—Mexico, Canada, Japan, Mainland China, and South Korea—expanded just over 5 percent during the first two quarters of 2005.

Mexico

Exports to Mexico—California's leading destination—expanded 7.8 percent, approximately half the growth rate of 2004. Mexico's economy, and thus its demand for California exports, is strongly influenced by U.S. economic activity and global crude oil prices. Slower U.S. economic growth at the end of 2004 and early 2005, led to slower growth for Mexico. Alternatively, rising crude oil prices should have a positive impact on Mexico's federal fiscal condition.

Canada

Exports to Canada—the second leading recipient—actually accelerated from last year's relatively modest growth rate. Despite political uncertainties, the Canadian economy has exceeded expectations and its real Gross Domestic Product (GDP) is now projected to grow by 2.8 percent in 2005. As long as the impact of high oil prices and natural disasters on the U.S. economy are mild or short-lived, Canada is poised for continued growth.

Japan

Hobbled by Japan's ebbing economic growth, state exports to Japan dropped 7.4 percent from the first half of 2004. Japan's economic growth in 2004—2.6 percent real GDP growth—was the best since 1996. However, the year started strong and then faded steadily throughout the year. Japan expanded only about 1.2 percent during the first half of 2005. Made-in-California exports to Japan, consequently, followed a similar pattern. Exports grew nearly 29 percent year-over-year during the first quarter of 2004, but then slowed dramatically through the rest of the year. Export growth turned negative at the beginning of 2005. The Japanese economy is projected to grow only by 1.5 percent for 2005 as a whole.

FIGURE 6

Uneven Export Growth

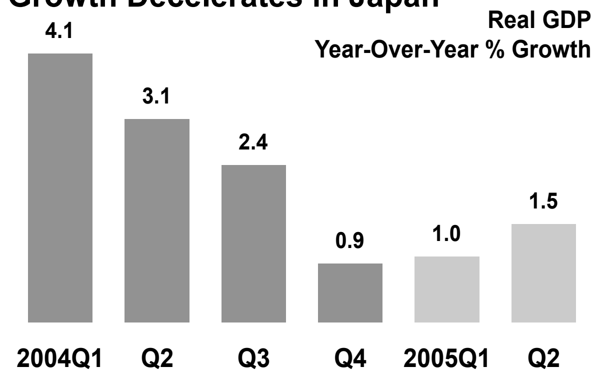
Made-in-California Exports
Top 25 Destinations*

Country	Exports ($millions) YTD 2005Q2	Year-Year Percent Change 2004	YTD 2005Q2
1 Mexico	$ 8,586.6	15.9%	7.8%
2 Canada	$ 6,550.9	7.8%	9.4%
3 Japan	$ 6,270.4	13.3%	-7.4%
4 China (Mainland)	$ 3,773.6	25.2%	4.6%
5 South Korea	$ 3,395.6	22.3%	18.3%
6 China (Taiwan)	$ 2,806.6	20.7%	9.4%
7 United Kingdom	$ 2,707.2	19.4%	3.4%
8 Hong Kong	$ 2,428.0	22.5%	4.9%
9 Germany	$ 2,154.9	3.5%	24.0%
10 Singapore	$ 1,852.1	23.5%	-17.2%
11 Netherlands	$ 1,769.7	11.8%	-15.1%
12 France	$ 1,537.6	54.3%	-13.2%
13 Australia	$ 1,113.9	18.1%	-4.2%
14 Malaysia	$ 924.3	15.7%	-7.8%
15 Thailand	$ 909.7	23.7%	31.5%
16 Belgium	$ 856.3	20.3%	7.3%
17 Israel	$ 707.7	31.8%	66.8%
18 Italy	$ 683.3	-9.3%	10.3%
19 Brazil	$ 651.7	46.7%	18.6%
20 United Arab Emirates	$ 592.3	42.5%	229.1%
21 India	$ 569.2	20.7%	25.5%
22 Ireland	$ 500.9	-19.8%	6.0%
23 Switzerland	$ 486.4	37.8%	31.8%
24 Philippines	$ 476.2	2.8%	-11.6%
25 Spain	$ 431.5	31.2%	4.8%
Rest of the World	$ 4,654.1	20.6%	8.6%
California Exports	$ 57,390.9	17.0%	5.3%

* Based on 2005Q2 exports.
Source: World Institute for Strategic Economic Research

FIGURE 7

Growth Decelerates in Japan



Mainland China

China has become California's most dynamic trading partner. Since 2000, China's share of California exports increased from 3 percent to nearly 7 percent. Exports to China exploded in 2004, growing over 25 percent on a year-over-year basis, and then stabilized in 2005, growing less than 5 percent during the first two quarters. This slowdown, however, does not correlate well with China's economic performance. According to a key Chinese government research agency, China's GDP is projected to rise by 9.2 percent in 2005, after growing by 9.3 percent in 2003 and 9.5 percent in 2004. Even though policy measures are being taken to dampen this overheated growth, the outlook is for continued strong growth for the indefinite future.

South Korea

Exports to South Korea have been stronger and more stable than those to most other leading destinations. Commendable economic growth in 2004—real GDP grew by 4.7 percent—was accompanied by a 22-percent increase in California-made shipments. Korean economic growth is projected to slow to around 3.2 percent in 2005. The growth of California exports slowed to 18.3 percent during the first half of 2005—the strongest rate among the top five destinations. Korea's economic growth should recover to the 4-plus percent range in 2006, which bodes well for California exports.

Select Indicators

	2004	2005				Year-Over
	Jul	Apr	May	Jun	Jul	% Change
EMPLOYMENT (Seasonally adjusted)						
Civilian employment (000)	16,490	16,792	16,835	16,845	16,882	2.4%
Unemployment (000)	1,086	955	949	966	914	-15.8%
Unemployment rate	6.2	5.4	5.3	5.4	5.1	--
Nonagricultural wage and salary employment (000) a/	14,593.7	14,721.0	14,736.9	14,753.5	14,783.4	1.3%
Goods-producing industries	2,427.3	2,444.0	2,446.9	2,456.2	2,470.9	1.8%
Natural resources and mining	23.0	22.8	22.6	22.7	22.5	-2.2%
Construction	857.1	888.6	891.0	899.9	909.5	6.1%
Manufacturing	1,547.2	1,532.6	1,533.3	1,533.6	1,538.9	-0.5%
Service-providing industries	12,166.4	12,277.0	12,290.0	12,297.3	12,312.5	1.2%
Trade, transportation, and utilities	2,764.0	2,766.8	2,766.8	2,768.3	2,778.2	0.5%
Information	477.4	491.5	491.4	494.8	490.5	2.7%
Financial activities	907.0	915.9	916.2	917.2	920.6	1.5%
Professional and business services	2,113.8	2,141.1	2,140.2	2,147.2	2,152.4	1.8%
Educational and health services	1,564.2	1,584.9	1,589.7	1,587.9	1,583.0	1.2%
Leisure and hospitality	1,444.8	1,478.1	1,478.5	1,475.7	1,480.4	2.5%
Other services	504.0	510.7	511.4	513.7	510.7	1.3%
Government	2,391.2	2,388.0	2,395.8	2,392.5	2,396.7	0.2%
High-technology industries b/	*868.0*	*869.7*	*870.7*	*872.1*	*873.9*	*0.7%*
Computer and electronic products manufacturing	*322.7*	*323.7*	*325.2*	*326.8*	*328.4*	*1.8%*
Aerospace products and parts manufacturing	*74.1*	*75.7*	*75.9*	*76.2*	*76.4*	*3.1%*
Software publishers	*42.8*	*41.5*	*41.4*	*41.7*	*41.3*	*-3.5%*
Telecommunications	*119.2*	*118.3*	*117.3*	*115.9*	*115.4*	*-3.2%*
Internet service providers	*47.7*	*48.5*	*48.6*	*48.6*	*48.8*	*2.3%*
Computer systems design	*166.7*	*168.0*	*168.0*	*168.2*	*168.4*	*1.0%*
Scientific research and development	*94.8*	*94.0*	*94.3*	*94.7*	*95.2*	*0.4%*
HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)						
Average weekly hours	39.9	39.8	39.9	39.7	39.5	*-1.0%*
Average weekly earnings	$612.86	$622.07	$625.63	$623.69	$622.52	*1.6%*
Average hourly earnings	$15.36	$15.63	$15.68	$15.71	$15.76	*2.6%*
CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)						
All Urban Consumers Series						
California Average	n.a.	202.0	n.a.	201.3	n.a.	--
San Francisco CMSA	n.a.	202.5	n.a.	201.2	n.a.	--
Los Angeles CMSA	193.4	201.1	201.5	200.7	201.4	*4.1%*
Urban Wage Earners and Clerical Workers Series						
California Average	n.a.	195.5	n.a.	194.6	n.a.	--
San Francisco CMSA	n.a.	199.3	n.a.	197.5	n.a.	--
Los Angeles CMSA	186.8	194.2	194.6	193.7	194.6	*4.2%*
CONSTRUCTION						
Private residential housing units authorized (000) c/	203	206	216	235	219	*8.0%*
Single units	141	158	155	176	154	*8.8%*
Multiple units	62	49	61	59	66	*6.0%*
Residential building authorized valuation (millions) d/	43,559	$46,802	$46,097	$54,017	$47,237	*8.4%*
Nonresidential building authorized valuation (millions) d/	16,746	$18,874	$16,679	$19,815	$18,759	*12.0%*
Nonresidential building authorized valuation (millions) e/	1,316	1,669	1,532	1,882	1,474	*12.0%*
Commercial	392	637	510	537	477	*21.6%*
Industrial	96	104	119	372	143	*49.1%*
Other	277	288	334	330	285	*2.8%*
Alterations and additions	551	639	568	643	570	*3.4%*
AUTO SALES (Seasonally adjusted)						
New auto registrations (number)	144,672	163,625	147,783	150,806	n.a.	--

a/ The wage and salary employment information is based on the new North American Industry Classification System (NAICS).
b/ Not seasonally adjusted
c/ Seasonally adjusted at annual rate
d/ Seasonally adjusted
e/ Not seasonally adjusted
n.a. Not available

Select Indicators *Continued*

VACANCY RATES FOR SECOND QUARTER 2005
(Percent)

	Office Downtown		Office Suburban		Office Total		Industrial	
	2Q05	2Q04	2Q05	2Q04	2Q05	2Q04	2Q05	2Q04
Northern and Central California:								
Oakland	13.8	17.3	15.6	17.0	15.2	17.0	n.a.	n.a.
Sacramento	13.4	13.5	12.5	13.4	12.7	13.4	13.8	14.9
San Francisco	12.6	17.7	20.8	22.7	15.1	19.2	13.3	12.9
San Jose	21.8	17.8	15.3	18.3	16.8	18.1	n.a.	n.a.
Southern California:								
Los Angeles Metro	15.5	15.8	11.3	14.3	12.0	14.5	6.7	8.4
Orange County	n.a.	n.a.	7.9	12.3	7.9	12.3	8.2	7.9
San Diego	8.3	9.3	9.5	10.9	9.3	10.6	10.2	12.4
Ventura County	n.a.	n.a.	9.2	11.0	9.2	11.0	n.a.	n.a.
National Average	13.4	14.5	15.7	17.9	14.8	16.6	10.2	11.2

SALES OF EXISTING SINGLE-FAMILY HOMES / **FOREIGN TRADE THROUGH CALIFORNIA PORTS**

		Median Price	Units (SAAR)	Exports ($ millions)	Imports ($ millions)
2001	Jan	$244,112	502,798	$12,284	$19,173
	Feb	241,693	486,374	11,595	16,201
	Mar	257,548	518,412	12,390	19,475
	Apr	255,310	495,388	10,492	17,624
	May	255,857	505,588	10,948	16,885
	Jun	267,412	526,571	10,721	18,274
	Jul	267,517	503,030	9,890	18,206
	Aug	282,421	571,065	10,288	18,277
	Sep	275,624	475,376	9,634	17,585
	Oct	263,020	494,915	10,038	19,532
	Nov	270,210	493,868	9,315	17,184
	Dec	281,332	474,492	9,659	15,525
2002	Jan	$287,076	584,251	$8,688	$15,517
	Feb	294,865	610,379	8,429	15,768
	Mar	305,838	586,225	9,945	16,318
	Apr	317,121	643,026	9,274	17,807
	May	319,591	620,301	9,814	17,568
	Jun	324,638	533,840	9,984	18,988
	Jul	321,903	540,797	9,335	18,998
	Aug	334,273	562,783	9,948	19,686
	Sep	322,452	493,803	9,286	19,478
	Oct	324,672	579,240	8,794	18,753
	Nov	328,440	542,121	9,046	20,522
	Dec	338,836	573,786	8,797	19,060
2003	Jan	$336,212	584,600	$8,408	$17,588
	Feb	326,645	566,890	8,423	16,359
	Mar	351,134	567,609	9,784	18,789
	Apr	364,040	583,333	9,158	19,151
	May	367,627	572,265	9,090	18,537
	Jun	374,535	572,128	9,743	19,774
	Jul	381,938	595,858	9,604	20,743
	Aug	406,142	645,721	9,626	19,846
	Sep	384,686	631,881	8,968	21,060
	Oct	379,119	636,688	10,341	23,021
	Nov	384,472	627,190	9,969	21,320
	Dec	401,724	637,078	10,437	20,528
2004	Jan	$404,463	615,659	$9,062	$19,996
	Feb	391,550	589,220	9,536	18,011
	Mar	428,060	590,220	11,420	22,589
	Apr	452,680	640,710	10,249	21,722
	May	463,320	632,380	10,460	21,760
	Jun	468,050	633,660	10,481	23,971
	Jul	462,145	639,910	10,388	24,162
	Aug	473,359	591,146	10,118	24,127
	Sep	463,623	626,215	10,446	23,974
	Oct	459,796	639,571	10,460	25,279
	Nov	471,978	652,337	9,792	25,769
	Dec	474,276	645,856	10,628	22,863
2005	Jan	$485,700	659,406	$9,405	$22,776
	Feb	471,620	608,170	9,756	21,738
	Mar	496,550	634,700	11,390	23,735
	Apr	509,630	658,060	10,356	24,337
	May	522,590	618,920	10,882	24,774
	Jun	543,120	656,310	11,108	26,153
	Jul	540,900	647,910	n.a.	n.a.

DOD PRIME CONTRACTS a/

	$ millions	% of U.S.
1981-82	$22,685	21.8%
1982-83	26,387	22.2%
1983-84	28,520	23.0%
1984-85	29,115	20.8%
1985-86	27,738	20.4%
1986-87	24,515	18.4%
1987-88	23,458	18.7%
1988-89	23,125	19.3%
1989-90	22,312	18.4%
1990-91	24,265	19.5%
1991-92	23,843	21.2%
1992-93	22,952	20.1%
1993-94	22,573	20.5%
1994-95	18,277	16.8%
1995-96	18,230	16.7%
1996-97	18,477	17.3%
1997-98	17,401	15.9%
1998-99	17,372	15.1%
1999-00	18,100	14.7%
2000-01	19,939	14.7%
2001-02	23,816	15.0%
2002-03	28,681	15.0%
2003-04	27,875	13.7%

a/ U.S. fiscal year: October through September

n.a. Not available

Leading Indicators/[a]

		Manufacturing Overtime Hours	Manufacturing Average Weekly Hours	Unemployment Insurance Initial Claims	New Business Incorporations	Housing Unit Authorizations (Thousands)
2001	Jan	4.1	39.9	47,433	7,556	200.7
	Feb	4.2	40.2	51,754	6,436	136.3
	Mar	4.0	39.9	53,976	6,574	144.5
	Apr	3.5	39.5	52,045	6,239	153.3
	May	3.8	39.6	56,344	6,757	152.5
	Jun	3.8	39.3	54,585	6,425	147.6
	Jul	3.7	39.5	55,086	6,532	130.3
	Aug	3.9	39.6	57,220	7,243	160.8
	Sep	3.9	39.7	59,321	5,893	114.7
	Oct	3.8	39.4	62,955	7,002	139.7
	Nov	3.6	39.0	58,250	7,315	142.1
	Dec	3.7	39.4	49,212	6,912	163.6
2002	Jan	3.8	39.0	67,463	7,283	155.4
	Feb	3.9	39.4	56,462	6,867	162.1
	Mar	4.1	39.9	61,127	7,381	144.4
	Apr	4.1	39.9	62,452	7,348	163.0
	May	4.1	39.6	61,029	8,597	157.1
	Jun	4.1	39.9	58,896	6,988	149.7
	Jul	3.9	39.3	61,909	7,252	181.5
	Aug	4.0	39.8	61,152	7,552	166.9
	Sep	3.9	39.9	60,528	7,285	184.9
	Oct	3.9	39.6	61,567	8,053	203.3
	Nov	3.8	39.6	59,053	7,545	191.1
	Dec	3.9	39.8	60,417	7,736	151.9
2003	Jan	3.9	39.6	61,430	7,430	193.0
	Feb	4.0	39.8	59,637	8,677	249.9
	Mar	3.7	39.7	59,723	7,242	183.2
	Apr	3.7	39.7	63,614	7,875	188.9
	May	3.7	39.8	61,106	7,864	210.3
	Jun	3.7	39.9	60,771	7,873	177.6
	Jul	3.8	39.5	60,213	8,026	200.0
	Aug	3.8	39.5	57,664	7,045	178.6
	Sep	3.9	39.5	57,320	8,267	194.7
	Oct	3.9	39.6	58,650	7,952	210.2
	Nov	4.0	40.1	54,900	7,474	188.9
	Dec	3.9	39.6	52,281	8,424	194.9
2004	Jan	4.1	40.0	51,052	8,086	197.0
	Feb	4.1	40.2	51,195	8,715	206.9
	Mar	4.2	40.2	49,142	8,573	228.7
	Apr	4.4	40.0	49,413	8,428	207.1
	May	4.5	40.3	46,621	8,291	200.4
	Jun	4.2	39.9	49,874	8,905	223.5
	Jul	4.4	40.2	48,251	8,376	203.2
	Aug	4.2	40.1	47,573	8,310	207.9
	Sep	4.0	39.3	46,799	8,571	228.2
	Oct	4.3	39.8	44,947	7,704	176.9
	Nov	4.4	39.8	47,368	8,979	258.9
	Dec	4.4	39.8	49,438	9,263	226.6
2005	Jan	4.3	40.3	50,966	5,869	183.3
	Feb	4.4	40.0	46,024	9,147	198.7
	Mar	4.3	40.0	45,384	9,489	232.1
	Apr	4.4	40.1	44,498	n.a.	206.5
	May	4.4	39.9	43,494	n.a.	216.2
	Jun	4.3	39.6	42,711	n.a.	235.0
	Jul	4.4	39.8	40,706	n.a.	219.3

a/ Seasonally adjusted by the California Department of Finance.
n.a. Not available

Coincident Indicators/[a]

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
2001	Jan	14,725	1,874	4.7	357
	Feb	14,724	1,866	4.7	358
	Mar	14,730	1,856	4.8	367
	Apr	14,667	1,831	5.0	385
	May	14,644	1,812	5.1	414
	Jun	14,632	1,797	5.3	421
	Jul	14,571	1,777	5.4	443
	Aug	14,581	1,761	5.6	468
	Sep	14,528	1,740	5.8	472
	Oct	14,513	1,724	6.0	523
	Nov	14,478	1,704	6.3	511
	Dec	14,448	1,690	6.4	515
2002	Jan	14,440	1,674	6.5	518
	Feb	14,449	1,666	6.6	544
	Mar	14,472	1,662	6.7	534
	Apr	14,460	1,656	6.7	538
	May	14,474	1,652	6.7	555
	Jun	14,459	1,646	6.8	540
	Jul	14,434	1,637	6.7	547
	Aug	14,455	1,629	6.7	525
	Sep	14,448	1,622	6.7	531
	Oct	14,468	1,615	6.7	538
	Nov	14,484	1,606	6.8	508
	Dec	14,455	1,595	6.8	511
2003	Jan	14,440	1,585	6.9	520
	Feb	14,422	1,575	6.8	522
	Mar	14,393	1,565	6.8	521
	Apr	14,389	1,559	6.9	567
	May	14,381	1,550	6.9	543
	Jun	14,371	1,544	6.9	550
	Jul	14,363	1,537	6.9	552
	Aug	14,379	1,536	6.9	528
	Sep	14,369	1,535	6.8	525
	Oct	14,414	1,531	6.8	517
	Nov	14,396	1,529	6.7	509
	Dec	14,393	1,529	6.7	503
2004	Jan	14,430	1,532	6.5	457
	Feb	14,447	1,530	6.4	453
	Mar	14,455	1,528	6.4	444
	Apr	14,476	1,530	6.4	438
	May	14,484	1,530	6.3	416
	Jun	14,479	1,527	6.3	449
	Jul	14,594	1,547	6.2	404
	Aug	14,586	1,539	6.1	420
	Sep	14,581	1,531	6.1	416
	Oct	14,634	1,535	6.0	390
	Nov	14,656	1,534	6.0	402
	Dec	14,646	1,535	6.0	398
2005	Jan	14,654	1,538	5.8	406
	Feb	14,682	1,536	5.8	395
	Mar	14,703	1,533	5.4	388
	Apr	14,721	1,533	5.4	368
	May	14,737	1,533	5.3	362
	Jun	14,754	1,534	5.4	386
	Jul	14,783	1,539	5.1	349

		Personal Income ($ millions)	Total Wages & Salaries ($ millions)	Taxable Sales ($ millions)
2001	Qtr I	$1,153,563	$661,546	$111,989
	Qtr II	1,139,669	650,479	111,275
	Qtr III	1,125,898	637,461	108,517
	Qtr IV	1,120,405	632,752	109,442
2002	Qtr I	$1,133,441	$637,434	$108,528
	Qtr II	1,148,301	641,008	109,986
	Qtr III	1,153,479	641,928	111,384
	Qtr IV	1,161,353	647,397	110,449
2003	Qtr I	$1,161,968	$645,093	$112,286
	Qtr II	1,175,472	652,247	113,415
	Qtr III	1,190,584	661,284	117,636
	Qtr IV	1,213,183	674,618	116,023
2004	Qtr I	$1,221,588	$679,545	$122,428
	Qtr II	1,241,379	686,987	123,851
	Qtr III	1,262,205	704,468	122,495
	Qtr IV	1,312,528	731,135	124,188

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-12 Arima program. Persons interested in a detailed description of this method are referred to the U.S. Census Bureau's Statistical Research Division.

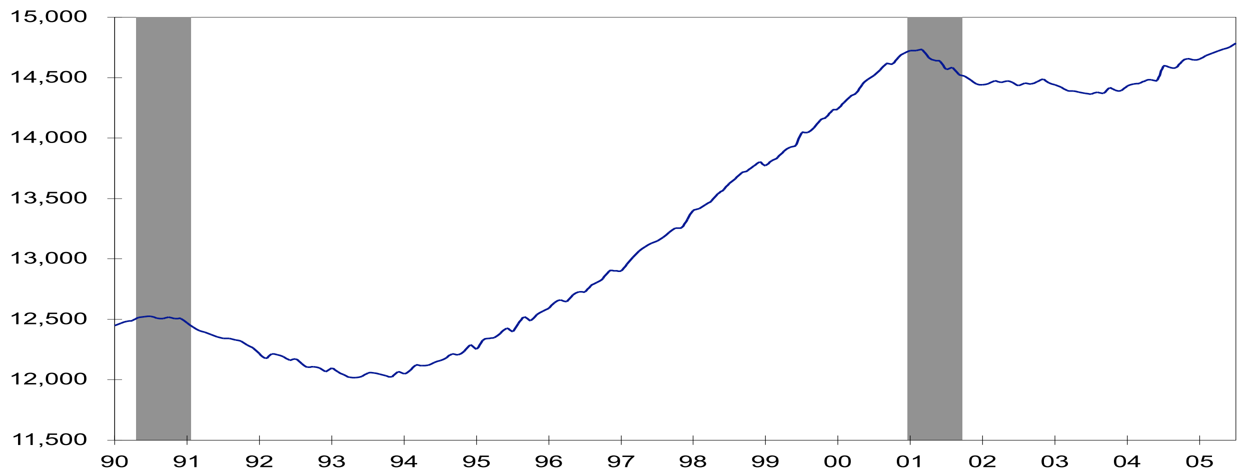
Under the X-12 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

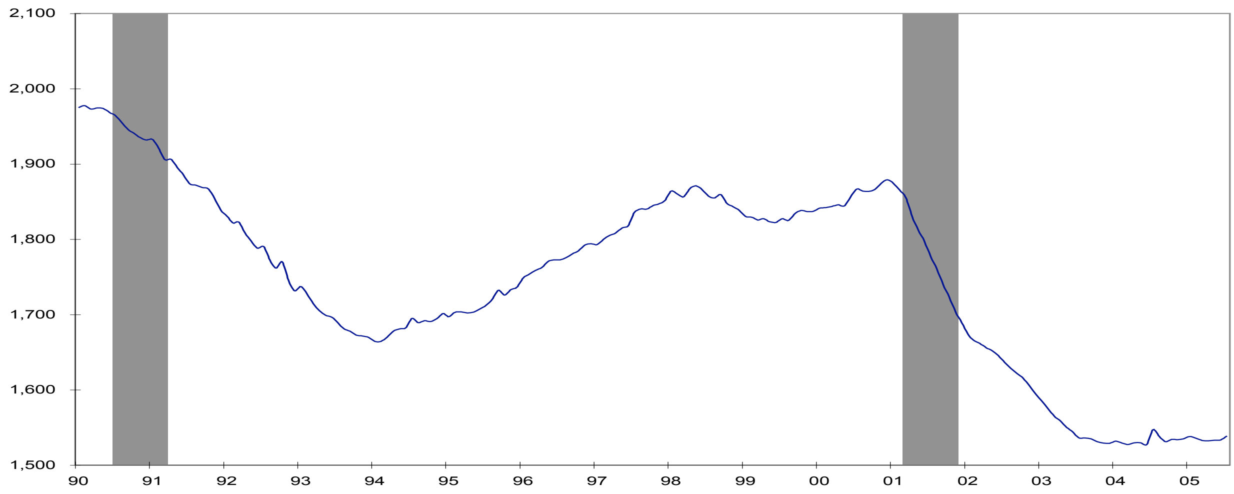
Nonagricultural Employment

(Thousands, Seasonally Adjusted)



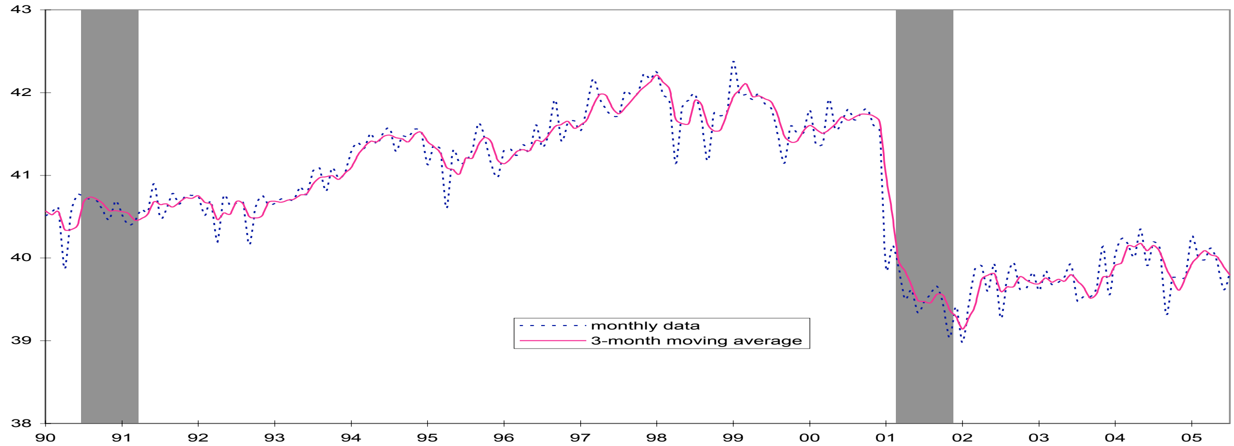
Manufacturing Employment

(Thousands, Seasonally Adjusted)



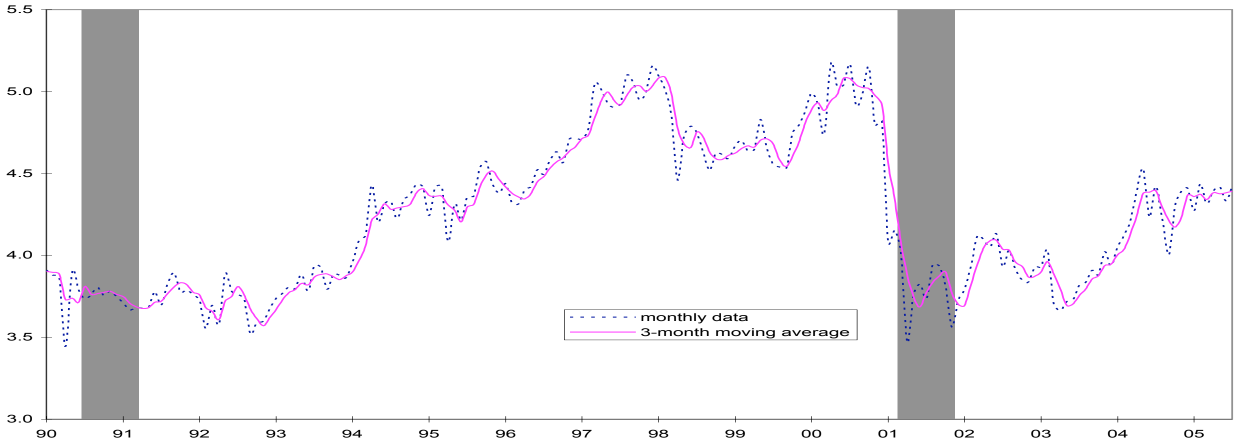
Average Weekly Hours, Manufacturing

(Seasonally Adjusted)



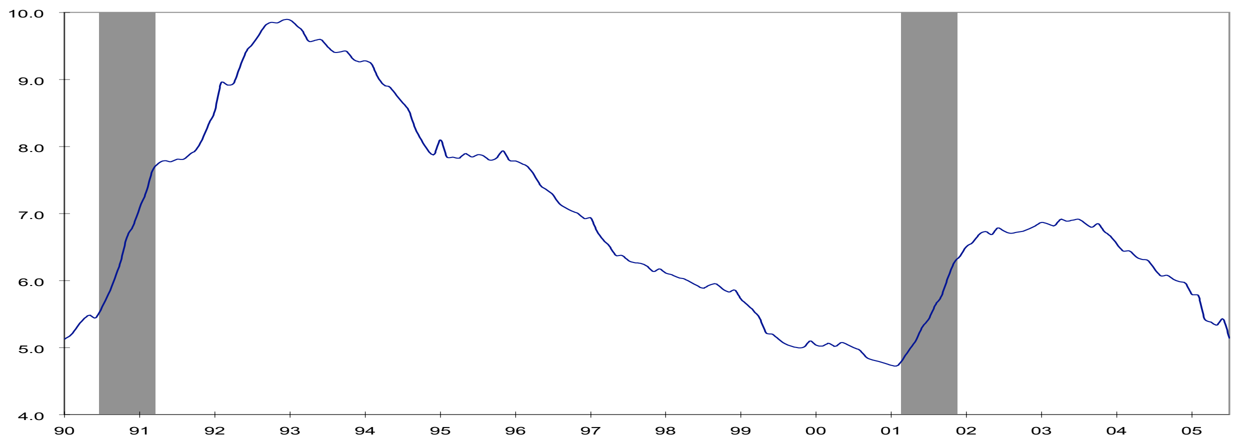
Average Overtime Hours, Manufacturing

(Seasonally Adjusted)



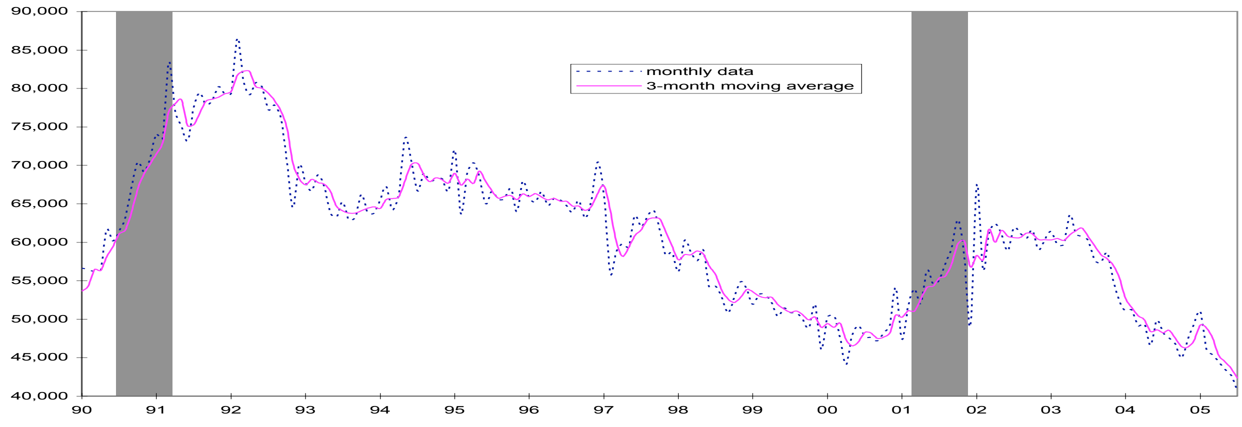
Unemployment Rate

(Percent)



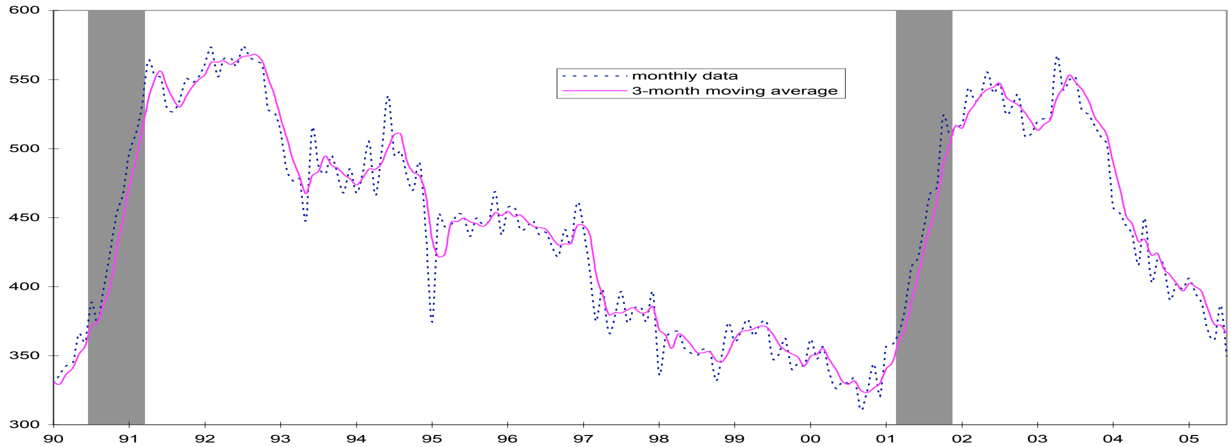
Initial & Transitional Claims for Unemployment Insurance

(Weekly Average, Seasonally Adjusted)



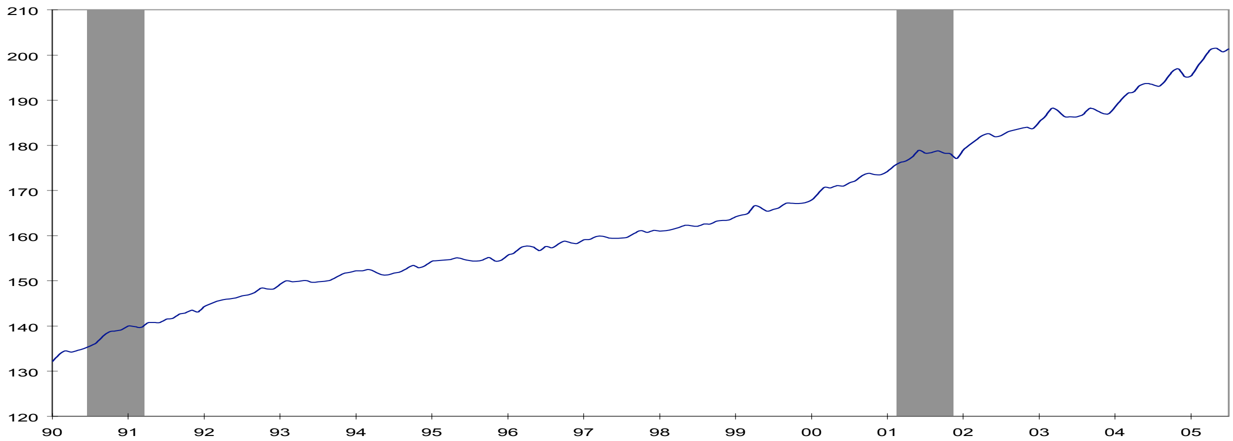
Unemployment, Average Weeks Claimed

(thousands, Seasonally Adjusted)



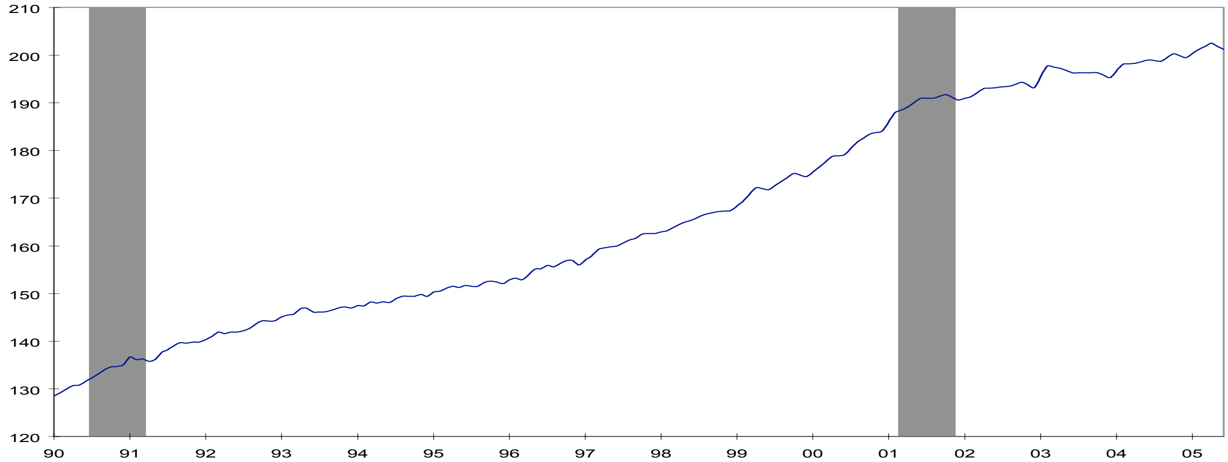
Consumer Price Index, Los Angeles

(1982–84=100)



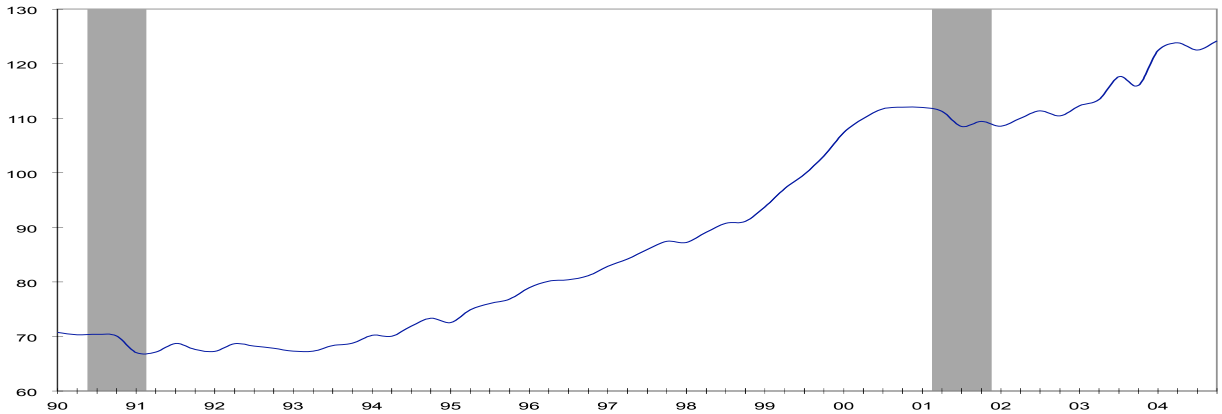
Consumer Price Index, San Francisco

(1982–84=100)



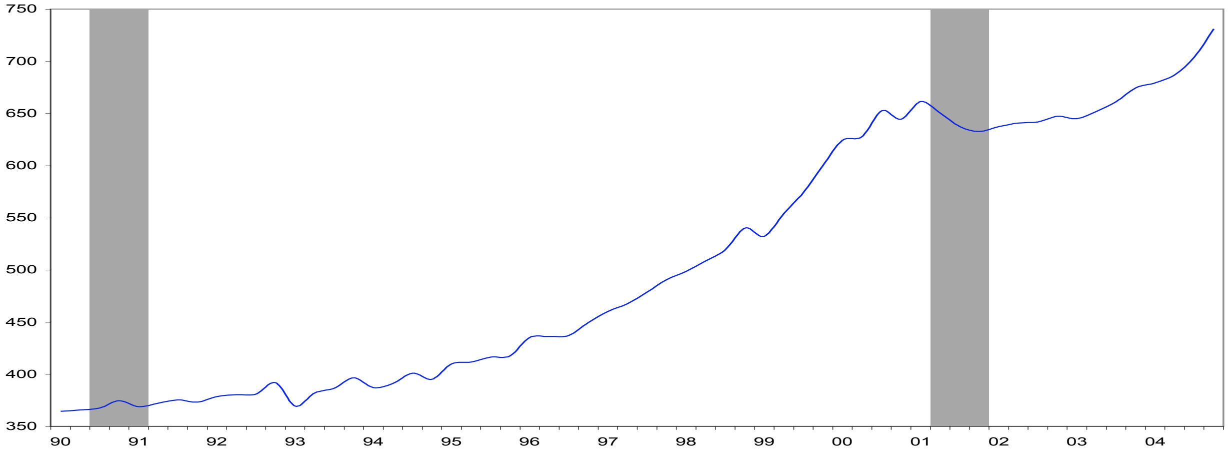
Taxable Sales

(Dollars in billions, Seasonally Adjusted)



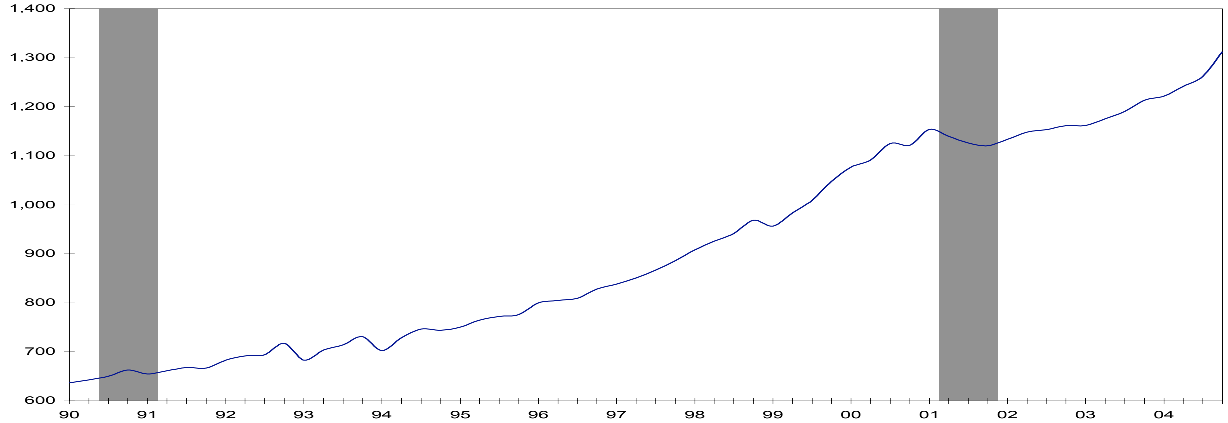
Wages and Salaries

(Dollars in billions, Seasonally Adjusted)



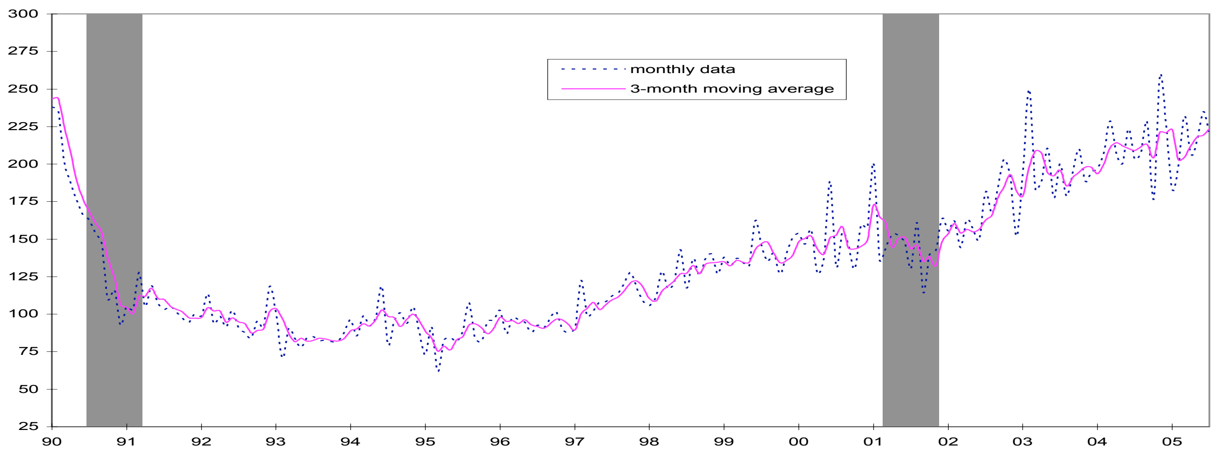
Personal Income

(Dollars in billions, Seasonally Adjusted)



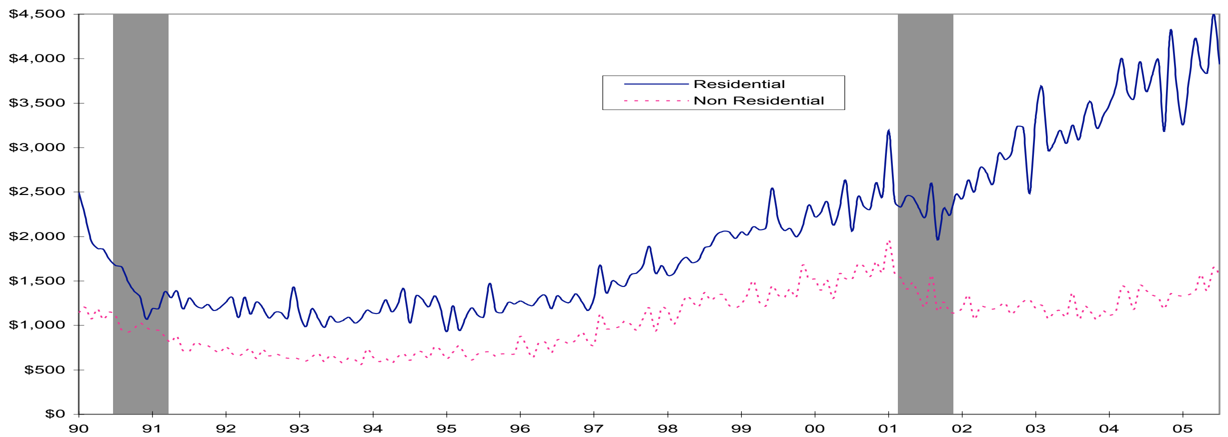
New Housing Units Authorized By Building Permits

(thousands, Seasonally Adjusted at Annual Rate)



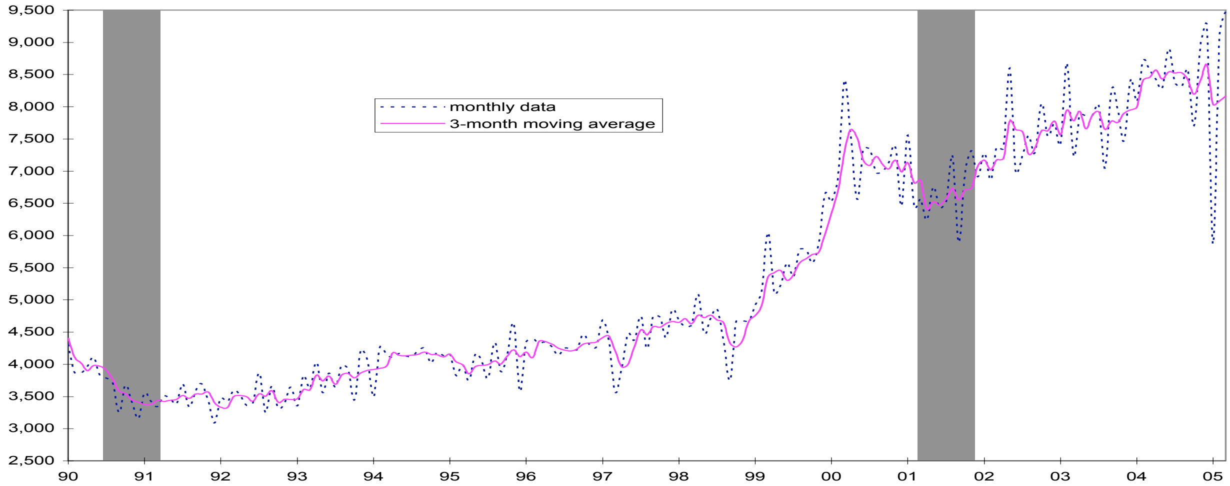
Residential & Nonresidential Building Permit Valuation

(Dollars in millions, Seasonally Adjusted)



New Business Incorporations

(Seasonally Adjusted)



CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of events dating back to 1956 is available at the Department's internet home page at: www.dof.ca.gov

2001

April 18	Federal funds rate reduced from 5.0 percent to 4.5 percent. Discount rate reduced from 4.5 percent to 4.0 percent.
April 23	A Tosco refinery explosion pushed gasoline prices to near record highs.
April 24	Standard & Poors lowered California's bond rating from AA to A+
April 27	GDP grew at an annual rate of 2 percent in the first quarter.
May 7–8	California hit by rolling blackouts.
May 15	Federal funds rate reduced from 4.5 percent to 4.0 percent. Discount rate reduced from 4.0 percent to 3.5 percent.
June 7	Federal tax cut was signed into law.
June 18	The Federal Energy Regulatory Commission adopted a price "mitigation" plan designed to reduce spikes in wholesale electricity prices in California and other Western states.
June 27	Federal funds rate reduced from 4.00 percent to 3.75 percent. Discount rate reduced from 3.50 percent to 3.25 percent.
June 29	First quarter GDP growth rate revised to 1.2 percent.
August 21	Federal funds rate reduced from 3.75 percent to 3.50 percent. Discount rate reduced from 3.25 percent to 3.00 percent.
August 29	Second quarter GDP grew at a 0.2 percent annual rate. Discount rate reduced from 3.25 percent to 3.00 percent.
August 29	Second quarter GDP grew at a 0.2 percent annual rate.
September 11	Terrorists attack World Trade Center and the Pentagon.
September 11–14	U.S. stock trading halts.

September 17	Federal funds rate reduced from 3.50 percent to 3.00 percent. Discount rate reduced from 3.00 percent to 2.50 percent. Dow Jones Industrials record biggest point drop in history, falling 684.41.
October 2	Federal funds rate reduced from 3.00 percent to 2.50 percent. Discount rate reduced from 2.50 percent to 2.00 percent.
October 26	Lockheed Martin Corporation awarded defense contract.
November 6	Federal funds rate reduced from 2.50 percent to 2.00 percent. Discount rate reduced from 2.00 percent to 1.50 percent.
November 26	Recession in the US began in March 2001, according to NBER.
December 2	Enron filed for bankruptcy protection.
December 11	Federal funds rate reduced from 2.00 percent to 1.75 percent. Discount rate reduced from 1.50 percent to 1.25 percent. China becomes WTO member.
December 21	GDP down 1.3 percent in Q3.
December 31	Markets fall for a second straight year for the first time since 1974.

2002

January 1	Taiwan becomes WTO member.
	OPEC to cut oil production by 6.5 percent.
	Euro becomes legal tender in 12 European countries.
January 6	Unemployment insurance benefits increased in California.
February 28	GDP up 1.4 percent in Q4.
March 9	California's "Job Creation and Worker Assistance Act of 2002" was signed into law that provides for temporary extended unemployment compensation.
March 28	GDP up 1.7 percent in Q4.
April 25	Security and Exchange Commission launched a formal investigation of Wall Street analysts' conflicts of interest.
May 13	President Bush signed a 10-year, $190 billion farm bill that promises to expand subsidies to growers.
June 27	GDP up 6.1 percent in Q1.
July 5	Foreign direct investment flows to developed countries declined by 56% in 2001, with the United States seeing the largest fall off to its lowest level since 1997.
July 8	Intel launches its Itanium 2 chip.
July 10	President Bush called for stiffer penalties to eradicate corporate fraud.
July 15	Pfizer to buy Pharmacia.
July 16	The dollar sank against the euro for the first time in more than two years. Intel to eliminate 4,000 jobs.
July 21	WorldCom filed for bankruptcy protection.
July 22	The Dow Jones industrial average sank to its lowest level in nearly four years. Both the Nasdaq and S&P 500 are at their lowest levels since the first half of 1997.
July 30	President Bush signed into law the Public Company Accounting Reform and Investor Protection Act.
July 31	GDP growth slowed to 1.1 percent in Q2 from revised 5.0 percent in Q1. Last year's data was also revised indicating that the economy shrank in each of the first three quarters.

	Venture capital investments hit four-year low.
August 8	IMF signed an emergency loan to Brazil.
August 11	U.S. Airways filed for bankruptcy.
August 20	The U.S. trade deficit narrowed in June, following two straight record monthly deficits.
September 27 –October 9	Cargo operations at 29 West Coast ports ground to a halt when terminal operators locked out unionized workers.
November 6	Federal funds rate reduced from 1.75 percent to 1.25 percent.
	Discount rate reduced from 1.25 percent to 0.75 percent.
December 9	United Airlines filed for bankruptcy protection.
December 19	Standard & Poor's lowered California's bond rating to an A from an A+.

2003

February 10	Moody's lowered California's bond rating to A2 from A1.
February 14–17	A major snowstorm hit the Middle Atlantic and Eastern states.
February 26	Doctors in Hong Kong report the first case of a flu-type virus "Atypical Pneumonia" now more commonly known as Severe Acute Respiratory Syndrome (SARS).
March 20	Operation Iraqi Freedom begins.
April 9	Baghdad falls and Iraqis and American troops topple statue of Saddam Hussein.
April 14	President Bush declares conclusion of major combat operations in Iraq.
June 25	Federal funds rate reduced from 1.25 percent to 1 percent, the lowest rate in 45 years.
June 26	GDP up 1.4 percent in Q1.
July 17	The US recession ended in November 2001, according to NBER.
July 24	S&P lowered California's bond rating from "A" to "BBB".
July 25	United States Treasury begins mailing $400 per child tax rebate checks.
August 2	Governor Gray Davis signs the 2003-04 state budget bill.
August 4	Moody's lowered California's bond rating from A2 to A3.
August 28	GDP grew at a revised 3.1 percent annual rate in the 2nd quarter.
September 3	Light vehicle sales in the U.S. reach 19.0 million in August, the second best monthly rate ever.
October 21	Wildfires breakout in Southern California, eventually burning 743,000 acres and destroying over 3,500 homes.
October 30	GDP grew by 7.2 percent, its fastest rate since 1984.
December 4	President Bush ends steel tariffs.
December 12	Dow Jones Industrial average closed above 10,000 for the first time since May 24, 2002.
December 13	Saddam Hussein captured by American troops.
December 23	Final report shows GDP grew by 8.2 percent in the third quarter, its fastest rate since 1984.
December 24	U.S. confirms first case of "mad cow" disease.

2004

February 10	Unexpected cut in OPEC quota and cold weather contribute to higher oil prices.
February 11	Dow Jones Industrials closed at highest level in more than 2½ years.
March 25	Fourth quarter GDP rose 4.1 percent.
April 30	International oil prices hit a 3½ year high.
May 21	Moody's raised California's credit rating from "Baa1" to "A3".
May 27	First quarter GDP grew at a 4.4 percent annual rate.
June 30	Federal funds rate increased by 25 basis points bringing the rate up to 1.25 percent. It is over four years since the Fed last tightened rates.
August 9	Fitch removes California from Rating Watch Negative.
August 10	Federal funds rate raised from 1.25 percent to 1.50 percent.
August 24	S&P raised California's credit rating from "BBB" to "A".
August 27	Second quarter GDP grew at a 2.8 percent annual rate.
Mid-August	Hurricane Charley hits Florida
September	Three powerful hurricanes (Frances, Ivan, and Jeanne) hit Florida and some neighboring states.
September 21	Federal funds rate raised from 1.50 percent to 1.75 percent.
October 29	GDP grew at a 3.7 percent rate in the third quarter.
November 10	Federal funds rate raised from 1.75 percent to 2.00 percent.
December 14	Federal funds rate raised from 2.00 percent to 2.25 percent.
December 22	GDP grew at a 4.0 percent annual rate in the third quarter.
December 26	A magnitude 9.0 earthquake — the largest in 40 years — struck the northern Indonesian island of Sumatra, triggering a tsunami that killed tens of thousands of people in more than 11 countries.

2005

January 22-24	Blizzards blanketed large parts of the Northeast.
January 30	Iraq held its first free election in half a century.
February 2	Federal funds rate raised from 2.25 percent to 2.50 percent.
March 22	Federal funds rate raised from 2.50 to 2.75 percent.
March 30	GDP grew at an annual rate of 3.8 percent in the fourth quarter of 2004.
April 28	GDP increased at an annual rate of 3.1 percent in the first quarter of 2005.
May 3	Federal funds rate raised from 2.75 to 3.00 percent
June 29	GDP increased at an upwardly revised 3.8 percent in the first quarter of 2005.
June 30	Federal funds rate raised from 3.00 percent to 3.25 percent.
July 11	Governor Arnold Schwarzenegger signs the 2005-06 state budget bill. Moody's Investor Services and Fitch Ratings upgraded the state's bond ratings.
August 9	Federal funds rate raised from 3.25 percent to 3.50 percent.
August 29	Hurricane Katrina ripped through Louisiana, Mississippi and Alabama causing billions of dollars in damage.
August 31	GDP increased at an annual rate of 3.8 percent in the first quarter and 3.3 percent in the second quarter of 2005.